

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Tyrone Township	County Livingston
Audit Date 3/31/05	Opinion Date 7/8/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

BKR Dupuis & Ryden

Street Address

111 East Court Street, Suite 1A

City

Flint

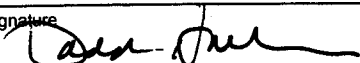
State

MI

ZIP

48502

Accountant Signature



Date

9/6/05

Annual Financial Report
Tyrone Township
Livingston County, Michigan
March 31, 2005

**Tyrone Township
Annual Financial Report
For the Fiscal Year Ended March 31, 2005**

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Annual Financial Report
For the Fiscal Year Ended March 31, 2005

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Introductory Section

**Annual Financial Report
Tyrone Township
Livingston County, Michigan
March 31, 2005**

List of Elected Officials

Supervisor	Michael Lewis
Clerk	David Kuzner
Treasurer	David Kurtz
Trustee	Steven Nagy
Trustee	Lynn Thompson
Trustee	Robert Byerly
Trustee	S. Randy Laue

Financial Section

Independent Auditors' Report

The Honorable Members
of the Township Board of
Tyrone Township
Livingston County, Michigan

We have audited the basic financial statements of the Tyrone Township, Michigan as of March 31, 2005, and for the year then ended. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2005.

In our opinion, the basic financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of the Tyrone Township, Michigan at March 31, 2005, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section and combining and individual nonmajor fund financial statements presented on pages 36 and 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

June 30, 2005

Management's Discussion and Analysis

Tyrone Township Management's Discussion and Analysis

This section of Tyrone Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on March 31, 2005. Please read it in conjunction with the Township's financial statements, which follow this section.

First Year - Governmental Accounting Standards Board Statement No. 34

Tyrone Township is implementing the new Governmental Accounting Standards Board Statement No.34 reporting requirement for the first time this year. Known as GASB 34, the new reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. However, as this is the first year Tyrone Township is implementing GASB 34, the prior-year financial information is not available in the GASB 34 format. The Governmental Accounting Standards Board has recognized this problem, and does not require Tyrone Township to restate prior-year financial information for the purposes of providing comparative data in the first year of implementation. Tyrone Township will present a comparative analysis of government-wide data in future years when prior-year information is available. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

- The Township's Total Net Assets are \$14,866,017.
- During the year, the Township's total net assets decreased \$190,501. Governmental activities incurred a \$1.176 million decrease in net assets after transfers to business activities amounting to \$909,693. Business activities (after transfers in of \$909,693) realized a \$985,650 increase in net assets.
- General fund expenditures exceeded revenues by \$225,723, leaving a fund balance of \$457,983.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - * The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - * Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the sewer system.
 - * Fiduciary fund statements provide information about the financial relationships – like the tax fund – in which the Township acts as an agent that administers the fund for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Table 1 (below) summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 - Major Features of Tyrone Township's
Government-wide and Fund Financial Statements**

<u>Type of Statements</u>	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire Township government (except fiduciary funds) and the Township's component units Township has no component units	The activities of the Township that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Township operates similar to private businesses: the sewer system	Instances in which the Township is the trustee or agent for someone else's resources, such as the tax fund
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities – Most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes and state grants finance most of these activities.
- Business-type activities – The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.

The Township has three kinds of funds:

- Governmental funds – Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements.
- Proprietary funds – Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
- In fact, the Township's enterprise fund (one type of proprietary fund) is the same as its business-type activities, but provide more detail and additional information, such as cash flows.

- **Fiduciary funds** – The Township is the trustee, or fiduciary, for the funds. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

Tyrone Township's Net Assets

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$1,270,121	\$11,524,064	\$12,794,185
Capital assets	371,890	9,355,754	9,727,644
Total assets	1,642,011	20,879,818	22,521,829
Long-term liabilities outstanding	194,552	7,425,000	7,619,552
Other liabilities	18,548	17,712	36,260
Total liabilities	213,100	7,442,712	7,655,812
Net assets:			
Invested in capital assets, net of related debt	177,338	1,930,754	2,108,092
Restricted	793,590	1,165,040	1,958,630
Unrestricted	457,983	10,341,312	10,799,295
Total net assets	\$1,428,911	\$13,437,106	\$14,866,017

A portion of Tyrone Township's net assets (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$10,799,295) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's overall net assets decreased by \$190,501 during the current fiscal year.

Governmental activities. After eliminating the effects of transfers (\$909,693) made from the governmental activities to the Business-type activities to establish the sewer enterprise Fund, governmental activities incurred a \$266,458 decrease in net assets. Key elements of the revenues and expenses are as follows:

Tyrone Township's Changes in Net assets

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 139,764	\$ 171,660	\$ 311,424
Capital grants and contributions	-	577,428	577,428
General revenues:			
Property taxes	473,668	-	473,668
Other taxes (state sales taxes)	568,311	-	568,311
Investment earnings	17,696	9,546	27,242
Total revenues	1,199,439	758,634	1,958,073

Tyrone Township's Changes in Net assets - (continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Expenses:			
General government	687,839	-	687,839
Public safety	588,189	-	588,189
Public works	43,332	-	43,332
Streets	139,837	-	139,837
Health and welfare	6,700	-	6,700
Sewer	-	682,677	682,677
Total expenses	<u>1,465,897</u>	<u>682,677</u>	<u>2,148,574</u>
Increase (decrease) before transfers	(266,458)	75,957	(190,501)
Transfers	<u>(909,693)</u>	<u>909,693</u>	<u>-</u>
Increase (decrease) in net assets	(1,176,151)	985,650	(190,501)
Net assets - April 1, 2004	<u>2,605,062</u>	<u>12,451,456</u>	<u>15,056,518</u>
Net assets - March 31, 2005	<u>\$ 1,428,911</u>	<u>\$13,437,106</u>	<u>\$14,866,017</u>

Economic Factors and Next Year's Budgets and Rates

The downward trend of Michigan's economy continues to require the state to reduce state shared revenue allocations to local governments. This causes local governments to look to other local revenue sources to finance operations. A positive situation for the Township is the growth in the tax base as the Township has become a desired area where new residential housing is occurring.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township, 10408 Center Road, Fenton, Michigan 48430-9439.

Basic Financial Statements

Government-wide Financial Statements

Tyrone Township
Statement of Net Assets
March 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents-unrestricted	\$ 1,033,892	\$ 86,784	\$ 1,120,676
Cash and equivalents-restricted	-	1,165,040	1,165,040
Receivables	188,433	10,319,899	10,508,332
Prepays	137	-	137
Internal balances	47,659	(47,659)	-
Capital assets (net of accumulated depreciation)	371,890	9,355,754	9,727,644
Total assets	1,642,011	20,879,818	22,521,829
Liabilities			
Accounts payable	18,548	-	18,548
Deposits	-	17,712	17,712
Noncurrent liabilities:			
Due within one year	97,276	300,000	397,276
Due in more than one year	97,276	7,125,000	7,222,276
Total liabilities	- 213,100	7,442,712	7,655,812
Net Assets			
Invested in capital assets, net of related debt	177,338	1,930,754	2,108,092
Restricted for:			
Special revenue	793,590	-	793,590
Restricted for debt service	-	1,165,040	1,165,040
Unrestricted	457,983	10,341,312	10,799,295
Total net assets	\$1,428,911	\$ 13,437,106	\$ 14,866,017

See notes to financial statements.

Tyrone Township
Statement of Activities
For the Year Ended March 31, 2005

Functions\Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 687,839	\$ 103,183	\$ -
Public safety	588,189	1,995	-
Public works	43,332	29,279	-
Streets	139,837	5,307	-
Health and welfare	6,700	-	-
Total governmental activities	1,465,897	139,764	-
Business-type activities:			
Sewer	682,677	171,660	-
Total business-type activities	682,677	171,660	-
Total primary government	\$ 2,148,574	\$ 311,424	\$ -
General revenues:			
Property taxes			
Sales tax			
Unrestricted investment earnings			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets - beginning			
Net assets - ending			

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (584,656)	\$ -	\$ (584,656)
-	(586,194)	-	(586,194)
-	(14,053)	-	(14,053)
-	(134,530)	-	(134,530)
-	(6,700)	-	(6,700)
-	(1,326,133)	-	(1,326,133)
577,428	-	66,411	66,411
577,428	-	66,411	66,411
<u>\$ 577,428</u>	<u>(1,326,133)</u>	<u>66,411</u>	<u>(1,259,722)</u>

473,668	-	473,668
568,311	-	568,311
17,696	9,546	27,242
(909,693)	909,693	-
149,982	919,239	1,069,221
(1,176,151)	985,650	(190,501)
2,605,062	12,451,456	15,056,518
<u>\$ 1,428,911</u>	<u>\$ 13,437,106</u>	<u>\$ 14,866,017</u>

Fund Financial Statements

**Tyrone Township
Combining Balance Sheet
Governmental Funds
March 31, 2005**

	General Fund	Total Nonmajor Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 436,167	\$ 597,724	\$ 1,033,891
Receivable:			
Accounts receivable	102	2,904	3,006
Special assessments	31,927	42,227	74,154
Due from other funds	54,838	175,447	230,285
Due from other governments	52,263	52,243	104,506
Prepaid items	137	-	137
	<hr/>	<hr/>	<hr/>
Total assets	\$ 575,434	\$ 870,545	\$ 1,445,979
	<hr/>	<hr/>	<hr/>
Liabilities			
Accounts payable	17,040	1,508	18,548
Deferred revenue	411	42,227	42,638
Due to other funds	100,000	75,447	175,447
	<hr/>	<hr/>	<hr/>
Total liabilities	117,451	119,182	236,633
	<hr/>	<hr/>	<hr/>
Fund Balances			
Unreserved:			
Designated for road improvements	-	424,392	424,392
Designated for building and site improvements	-	13,791	13,791
Unreserved, Undesignated	457,983	313,180	771,163
	<hr/>	<hr/>	<hr/>
Total fund balances	457,983	751,363	1,209,346
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 575,434	\$ 870,545	\$ 1,445,979
	<hr/>	<hr/>	<hr/>

See notes to financial statements.

Tyrone Township
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
For the Year Ended March 31, 2005

Total Governmental Funds Fund balance as reported in the Balance Sheet	
Governmental Funds	\$ 1,209,346
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	371,890
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	42,227
Long term liabilities, including long term notes payable, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(194,552)</u>
Net Assets - Governmental Activities	<u>\$ 1,428,911</u>

See notes to financial statements.

Tyrone Township
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 364,691	\$ -	\$ 364,691
Special assessments	-	48,637	48,637
Intergovernmental:			
State	568,311	-	568,311
Licenses and permits	77,372	-	77,372
Fees	108,977	-	108,977
Charges for services	69,427	1,542	70,969
Interest	8,350	12,654	21,004
Rents and royalties	-	14,400	14,400
Other	19,404	-	19,404
Total revenues	<u>1,216,532</u>	<u>77,233</u>	<u>1,293,765</u>
Expenditures:			
Current:			
General government	713,624	3,583	717,207
Public safety	586,647	1,542	588,189
Public works	38,008	5,400	43,408
Health and welfare - Seniors	6,700	-	6,700
Highways and streets	-	139,837	139,837
Capital outlay	-	4,349	4,349
Debt service:			
Principal	97,276	-	97,276
Total expenditures	<u>1,442,255</u>	<u>154,711</u>	<u>1,596,966</u>
Deficiency of revenues over expenditures	<u>(225,723)</u>	<u>(77,478)</u>	<u>(303,201)</u>
Other financing sources (uses):			
Transfers in	-	52,503	52,503
Transfers (out)	-	(962,196)	(962,196)
Total other financing uses	<u>-</u>	<u>(909,693)</u>	<u>(909,693)</u>
Net change in fund balances	<u>(225,723)</u>	<u>(987,171)</u>	<u>(1,212,894)</u>
Fund balance at beginning of year	<u>683,706</u>	<u>1,738,534</u>	<u>2,422,240</u>
Fund balance at end of year	<u><u>\$ 457,983</u></u>	<u><u>\$ 751,363</u></u>	<u><u>\$ 1,209,346</u></u>

See notes to financial statements.

Tyrone Township
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2005

Amounts reported for governmental activities in the statement of activities (pages 10-11) are different because:

Net Change in fund balances - total governmental funds (page 14)	\$ (1,212,894)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	(35,430)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(25,103)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items	<u>97,276</u>
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Change in net assets of governmental activities (page 11)	<u><u>\$ (1,176,151)</u></u>
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See notes to financial statements.

Tyrone Township
Statements of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended March 31, 2005

General Fund				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 359,145	\$ 359,145	\$ 364,691	\$ 5,546
Intergovernmental:				
State	547,458	547,458	568,311	20,853
Licenses and permits	70,050	70,050	77,372	7,322
Fees	106,000	106,000	108,977	2,977
Charges for services	91,070	91,070	69,427	(21,643)
Interest	2,500	2,500	8,350	5,850
Rents and royalties	6,000	6,000	-	(6,000)
Other	153,350	153,350	19,404	(133,946)
Total revenues	1,335,573	1,335,573	1,216,532	(119,041)
Expenditures:				
Current:				
General government	770,212	761,412	713,624	47,788
Public safety	588,116	588,116	586,647	1,469
Public works	36,900	45,700	38,008	7,692
Health and welfare - Seniors	6,700	6,700	6,700	-
Debt service				
Principal	97,276	97,276	97,276	-
Total expenditures	1,499,204	1,499,204	1,442,255	56,949
Deficiency of revenues over expenditures	(163,631)	(163,631)	(225,723)	(62,092)
Other financing sources (uses):				
Transfers (out)	(160,000)	(160,000)	-	160,000
Total other financing sources (uses)	(160,000)	(160,000)	-	160,000
Net change in fund balances	(323,631)	(323,631)	(225,723)	97,908
Fund balance at beginning of year	683,706	683,706	683,706	-
Fund balance at end of year	\$ 360,075	\$ 360,075	\$ 457,983	\$ 97,908

See notes to financial statements.

**Tyrone Township
Statement of Net Assets
Proprietary Funds- Sewer Enterprise
March 31, 2005**

	Business-type Activities - Enterprise Funds
	Sewer
Assets	
Current assets:	
Cash and cash equivalents- unrestricted	\$ 86,784
Cash and cash equivalents- restricted	1,165,040
Accounts receivable	10,319,749
	<u>11,571,573</u>
Total current assets	
Noncurrent assets:	
Capital assets:	
System	10,630,475
Machinery and equipment	336,500
Accumulated depreciation	(1,611,221)
	<u>9,355,754</u>
Total capital assets, net	
Total assets	<u><u>\$ 20,927,327</u></u>
Liabilities	
Current liabilities:	
Deposits	\$ 17,712
Due to other funds	47,509
Bonds payable	300,000
	<u>365,221</u>
Total current liabilities	
Noncurrent liabilities:	
Bonds payable	<u>7,125,000</u>
Total liabilities	<u>7,490,221</u>
Net Assets	
Invested in capital assets, net of related debt	1,930,754
Retained earnings:	
Restricted	1,165,040
Unrestricted	10,341,312
	<u>13,437,106</u>
Total net assets	
Total liabilities and net assets	<u><u>\$ 20,927,327</u></u>

See notes to financial statements.

Tyrone Township
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds- Sewer Enterprise
For the Year Ended March 31, 2005

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Sewer</u>
Operating revenues:	
Charges for services	\$ 127,996
Operating expenses:	
Sewage maintenance	14,575
Utilities	22,877
Depreciation	320,643
Administrative	6,509
Telephone	263
Miscellaneous	5,016
Total operating expenses	369,883
Operating loss	(241,887)
Nonoperating revenues (expenses):	
Interest revenue:	
investment interest	9,546
special assessment interest	577,428
Contributions	43,644
Miscellaneous	20
Interest expense and fiscal charges	(312,794)
Total nonoperating revenues	317,844
Income before transfers	75,957
Transfers in	909,693
Change in net assets	985,650
Net assets - beginning of year	12,451,456
Net assets - end of year	\$ 13,437,106

**Tyrone Township
Statement of Cash Flows
Proprietary Funds- Sewer Enterprise
For the Year Ended March 31, 2005**

	Business-type Activities- Enterprise Funds
	Sewer
Cash flows from operating activities:	
Cash receipts from customers	\$ 721,037
Cash payments to suppliers	(68,152)
Net cash provided by operating activities	<u>652,885</u>
Cash flows from noncapital financing activities:	
Transfers from (to) other funds	<u>559,974</u>
Cash flows from capital and related financing activities:	
Contributions	\$ 43,664
Principal payments	(300,000)
Interest paid on capital debt	(312,794)
Net cash provided by capital and related financing activities	<u>(569,130)</u>
Cash flows from investing activities:	
Interest earned (including special assessment interest)	<u>586,974</u>
Net cash provided by investing activities	<u>586,974</u>
Net increase in cash	1,230,703
Cash and cash equivalents - beginning of year	21,121
Cash and cash equivalents - end of year	<u>\$ 1,251,824</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (241,887)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation and amortization	320,643
Changes in operating assets and liabilities:	
Accounts receivable	575,329
Accounts payable	(12,562)
Due to other governments	(6,350)
Deposits	17,712
Net cash provided by operating activities	<u>\$ 652,885</u>

See notes to financial statements.

**Tyrone Township
Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2005**

		<u>Agency Funds</u>	
		<u>Trust and Agency</u>	<u>Current Tax Collection</u>
Assets			
Cash and cash equivalents		\$ 122,087	\$ 5,090
Liabilities			
Due to other funds		2,487	4,992
Due to other governmental units		79,412	98
Due to individuals		1,019	-
Performance deposits		39,169	-
Total liabilities		\$ 122,087	\$ 5,090

Notes to Basic Financial Statements

Tyrone Township
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies

A. Reporting entity:

The Township of Tyrone is located in Livingston County and operates under an elected form of government. The Township provides the following services as authorized by general law: public safety (police and fire), highways and streets, sanitation, public improvements, planning, and general administrative services.

B. Government-wide and fund financial statements

During the year ended March 31, 2005, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. There are no component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Sewer Disposal System fund is maintained for the operations of the sewage pumping and collection statements.

Additionally, the government reports the following fund type:

Agency Funds account for assets held by the Township as an agent for individuals, private organizations and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program *revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The Township's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the Township are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

3. Restricted cash and cash equivalents

The Township's Sewer Enterprise Fund has cash in the amount of \$1,165,040 that is restricted for debt service. The balance represents special assessments that have been collected and will be used to pay off the sewer bonds.

4. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles. No allowance has been established as management believes all receivable to be collectible.

5. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended March 31, 2005. Prior to the implementation of GASB No. 34, records on these assets were not maintained. The Township is not required to retroactively determine costs and accumulated depreciation prior to April 1, 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	39
Building improvement	15
Vehicles	5
Office equipment	5
Furniture and fixtures	7

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.
- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

9. Property tax

The Township levies property taxes on December 1 each year. These taxes become liens on the property at that date. Township taxes are collected without penalty from December 1 to February 28 each year.

For the year ended March 31, 2005, the Township levied .9184 mills for general operations.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Note payable	<u>\$194,552</u>
Net adjustment to reduce <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u>\$194,552</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ (3,449)
Depreciation expense	<u>38,879</u>
Net adjustment to decrease <i>net changes in fund balances -</i> <i>total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	<u>\$ 35,430</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

III. Stewardship, compliance, and accountability

A. Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February 1, the supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. The amount of encumbrances at year end is not known. Also, all budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budget appropriations lapse at year-end except for approved contracts which are appropriated on a contract (grant) length basis.

Budgeted amounts are reported on the financial statements as originally adopted or as amended by the Township Board.

B. Excess of expenditures over appropriations

The following funds incurred expenditures in excess of appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Actual over Budget</u>
Liquor Law Enforcement			
Public Safety	\$ 950	\$ 1,542	\$ 592
Building and Site:			
Capital Outlay	3,800	4,349	549
Rental Properties:			
General Government	2,000	3,583	1,583
Jayne Hill Assessment:			
Public Works	1,000	1,062	62
Walnut Drive Lighting Assessment:			
Public Works	105	108	3
Jayne Hill Waste Removal:			
Public Works	-	4,230	4,230
Road Improvements			

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

III. Stewardship, compliance, and accountability – (continued)

C. Deficit fund equity

The Silver Lake Estates Road Paving Special Revenue Fund had a deficit fund balance of \$43,750 as of March 31, 2005. The fund incurred expenditures that are to be paid through collection of special assessments.

IV. Detailed notes on all funds

A. Deposits and investments

The Township's deposits consist of savings accounts, checking accounts, and certificates of deposit. At year-end, the carrying amount of the Township's deposits excluding petty cash of \$400 was \$1,950,654 and the bank balance was \$2,860,636. The bank balance was above the book balance due to checks outstanding at year end. Of the bank balance, \$455,596, or 15.9%, was covered by federal depository insurance; the remainder of the balance was uninsured and uncollateralized.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	<u>\$1,033,892</u>	<u>\$1,251,824</u>	<u>\$127,177</u>	<u>\$2,412,893</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank deposits (checking and savings accounts, certificates of deposits)	\$1,950,654
Investments in sweep accounts	122,236
Mutual funds	339,603
Petty cash and cash on hand	<u>400</u>
Total	<u>\$2,412,893</u>

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

At year end, the Township's categorized investment balances were as follows:

	<u>Category</u>			<u>Total Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash management accounts mutual fund	\$ -	\$339,603	\$ -	\$339,603
Repurchase agreement (checking sweep accounts)	-		122,236	122,236
Total investments	<u>\$ -0-</u>	<u>\$339,603</u>	<u>\$122,236</u>	<u>\$461,839</u>

State statutes authorize the Township to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds or investment pools comprised of the above authorized investments. The Township has adopted the above law as its investment policy, in addition, the Township has authorized the Township Treasurer to invest in the following depositories: State Bank of Fenton, Citizens Bank, Bank One, Michigan Governmental Investment Trust, MBIA, Standard Federal Bank, Flagstar Bank, and National City Bank. The Township's investments are categorized to give an indication of the level of risk assumed by the entity at year end. The Township invests in Governmental Mutual Fund sweep accounts that are comprised of repurchase agreements for which the underlying collateral is uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department, or agent not in the Township's name. The carrying value and market value of the underlying securities held in this category at March 31, 2005 were:

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Fund</u>
Governmental Mutual Funds	<u>\$339,603</u>	<u>\$340,315</u>	Various

B. Receivables

Receivables as of year end for the Township's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 31,927	\$ -	\$ -	\$ 31,927
Accounts	59,144	2,904	-	62,048
Special assessment	-	42,227	-	42,227
Intergovernmental	52,263	52,243	-	104,506
Gross receivables	143,334	97,374	-	240,708
Less: allowance for uncollectibles	(59,042)	-	-	(59,042)
Net total receivables	<u>\$ 84,292</u>	<u>\$ 97,374</u>	<u>\$ -0-</u>	<u>\$181,666</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

B. Receivables – (continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 411	\$ -
Special assessments	42,227	-
Total deferred/unearned revenue for governmental funds	<u>\$ 42,638</u>	<u>\$ -0-</u>

Business type activities:

	<u>Sewer Fund</u>
Receivables:	
Accounts	\$ 35,217
Special assessments	10,284,532
	10,319,749
Gross receivables	-
Less: allowance for uncollectibles	-
Net total receivables	<u>\$10,319,749</u>

C. Capital assets

Capital asset activity for the year ended March 31, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 43,100	\$ -	\$ (625)	\$ 42,475
Total capital assets, not being depreciated	43,100	-	(625)	42,475
Capital assets, being depreciated:				
Buildings	426,397	-	(7,005)	419,392
Land improvements	70,536	-	(112)	70,424
Machinery and equipment	192,527	3,449	(41,288)	154,688
Total capital assets being depreciated	689,460	3,449	(49,030)	644,504
Less accumulated depreciation for:				
Buildings	160,731	13,031	-	173,763
Land improvements	38,793	4,420	-	43,212
Machinery and equipment	76,686	21,428	-	98,114
Total accumulated depreciation	276,210	38,879	-	315,089
Total capital assets, being depreciated, net	413,251	(35,430)	(48,405)	329,415
Governmental activities capital assets, net	<u>\$456,350</u>	<u>\$ (35,430)</u>	<u>\$ (49,030)</u>	<u>371,890</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Primary Government – (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	-	-	-	-
Capital assets, being depreciated:				
System	10,630,295	-	-	10,630,295
Machinery and equipment	336,500	-	-	336,500
Total capital assets, being depreciated	10,966,795	-	-	10,966,795
Less accumulated depreciation for:				
System	1,242,507	272,572	-	1,515,079
Machinery and equipment	48,071	48,071	-	96,142
Total accumulated depreciation	1,290,578	320,643	-	1,611,221
Total capital assets, being depreciated, net	9,676,217	(320,643)	-	9,355,574
Business-type activities capital assets, net	<u>\$ 9,676,217</u>	<u>\$(320,643)</u>	<u>\$ -0-</u>	<u>\$ 9,355,574</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 Current:

 General government

\$ 38,879

Total depreciation expense – governmental activities

\$ 38,879

Business-type activities:

 Sewer

\$320,643

Total depreciation expense – Business-type activities

\$320,643

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of March 31, 2005 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$ 47,659
	Agency	2,186
	Tax	4,993
Road improvement	Silver Lake Estates road improvement	75,447
Township improvement revolving fund	General	<u>100,000</u>
		<u>\$230,285</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

D. Interfund receivables, payables, and transfers - (continued)

	<u>Transfer In</u>		
	<u>Sewer Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfer out:			
Nonmajor governmental funds	\$ 956,571	\$ 5,625	\$ 962,196
Sewer	46,878	-	46,878
Total transfers out	<u>\$1,003,449</u>	<u>\$ 5,625</u>	<u>\$1,009,074</u>

Transfers between funds were primarily for operating purposes. Other transfers were made to close funds.

E. Long-term debt

The government issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements and installment purchase agreements are general obligations of the government. All revenue bonds are supported by the revenues generated from the operation of the respective facilities constructed. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Bonds</u>	<u>Other Notes</u>
Governmental Activities:		
Note payable - Fire Authority at April 1, 2004	\$ -	\$291,828
Principal payments made	-	<u>(97,276)</u>
Total governmental activities long-term debt	-	<u>194,552</u>
Business type activities:		
Long-term debt payable at April 1, 2004	7,725,000	-
Principal payments made	<u>(300,000)</u>	-
Total business type activities long-term debt at March 31, 2005	<u>7,425,000</u>	-
Total long-term debt - all activities March 31, 2005	<u>\$7,425,000</u>	<u>\$194,552</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

F. Long-term debt

A summary of the composition of the March 31, 2005, long-term debt balance follows:

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Balance at March 31, 2004</u>	<u>Issuances (Retirements) During Year</u>	<u>Balance at March 31, 2005</u>	<u>Due Within One Year</u>
Governmental Activities:						
Hartland Deerfield Tyrone Fire Authority Contract	April 1, 2006	N/A	\$ 291,828	\$ (97,276)	\$ 194,552	\$ 97,276
Total governmental activities			<u>\$ 291,828</u>	<u>\$ (97,276)</u>	<u>\$ 194,552</u>	<u>\$ 97,276</u>
Business-type Activities:						
Sewer Bonds Series 2003	May 1, 2023	3.0-5.0%	\$7,725,000	\$(300,000)	\$7,425,000	\$315,000
Total business-type activities			<u>\$7,725,000</u>	<u>\$(300,000)</u>	<u>\$7,425,000</u>	<u>\$315,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31,</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 97,276	\$ -	\$ 300,000	\$ 303,419
2007	97,276	-	315,000	294,194
2008	-	-	325,000	284,594
2009	-	-	335,000	274,275
2010	-	-	345,000	262,794
2011-2013	-	-	1,830,000	900,639
2014-2018	-	-	2,030,000	718,618
2019-2023	-	-	1,945,000	172,300
Total	<u>\$194,552</u>	<u>\$ -0-</u>	<u>\$7,425,000</u>	<u>\$3,210,833</u>

Hartland, Deerfield, Tyrone Fire Authority:

In 2003, the Township entered into an agreement to create the Hartland Deerfield Tyrone Fire Authority. According to the Authority's Articles of Incorporation, the Township was required to pay its share of the costs of fire department equipment the Authority received from Harland Township. The allocation totaled \$291,828 and is payable in three annual installments of \$97,276.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

F. Long-term debt – (continued)

Tyrone Township Sewer Bonds - Series 2003

Tyrone Township, through Livingston County, issued \$7,725,000 in Sanitary Sewer Improvement Bonds. The Livingston County Sanitary Sewer Improvement Bonds Series 2003 (Tyrone Township Sewer Bonds) were issued pursuant to Act 185 and 342, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated August 27, 2003 with interest payable November 1 and May 1, beginning on November 1, 2003. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of March 31, 2005, the Tyrone Township had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempted from consideration in the 10% limit computation.

V. Other information

A. Joint ventures

In October 2003, Tyrone Township entered into a joint venture with Hartland Township and Deerfield Township to create the Hartland Deerfield Tyrone Fire Authority. The purpose of the Authority is to provide uniform and orderly control of fire protection, fire department practices and organizations and financing within the territorial limits of three municipalities. The Authority is governed by a three-member board, appointed by the governing bodies of the townships. The agreement calls for each municipality to pay for costs of the Authority.

The following is a summary of selected financial information of the Fire Authority.

	<u>Period Ended</u> <u>March 31, 2004</u>
Total assets	\$1,629,586
Total liabilities	440,300
Total fund equity	1,189,286
Total revenues	1,323,090
Total expenditures	1,616,780

The agreement provides that if there is a voluntary withdrawal from the Authority, the withdrawing member receives no distributions for its share of assets and is responsible for payment of its share of long-term liabilities.

Audited financial statements are available for public inspection at authority headquarters.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

V. Other information - (continued)

B. Pension

The Township has a qualified, contributory pension plan covering all elected officials established by Ordinance No. 31. The plan generally requires contributions of 10% of covered wages of participating employees. The employer contributes 75% and the employees contribute 25% of the required contribution. Pension expense charged to operations for the year ended March 31, 2005 was \$8,697.

The Township's total payroll for the year ended March 31, 2005 was \$328,439. Contributions were based on the base salary of \$88,972 during the plan period, which is April 1, 2003 through March 31, 2005. The Township and the covered employees made the required contributions of \$8,063 and \$2,688, respectively, which were 2.5% and .8%, respectively, of covered payroll.

VI. Risk management and contingent liabilities

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for these claims except. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VII. Building department revenues and expenses

The State Construction Code Act Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, requires that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operations of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund. The rules allowed for monitoring these funds in a separate activity center within the General fund if the expenditures would normally exceed the revenues. The Township chose the latter. The activity related to construction code activities for the year ended March 31, 2005 is as follows:

Construction permit revenue	\$ 17,590
Building department expenditures	<u>(36,255)</u>
Current year revenue over (under) expenditures	<u>\$ 18,665</u>

There is no carryforward balance of construction code revenues.

VIII. Sewer Enterprise Fund

At March 31, 2005, the Township established a Sewer Enterprise Fund to consolidate all of the Township's sanitary sewer collection activities which previously were accounted for in various individual special revenues and debt service funds. The fund was created due to the fact that the Township is now responsible for billing, collecting, and remitting treatment fees to Livingston County, who operates the treatment facility.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2005

VIII. Sewer Enterprise Fund - (continued)

The following funds made transfers to the Sewer Enterprise Fund:

Sewer Project Special Revenue	\$ 17,202
Runyan Lake Sanitary Sewer Debt	(46,878)
2003 Sanitary Sewer Debt Fund	<u>939,369</u>
	<u>\$909,693</u>

Note - The Runyan Lake Sanitary Sewer Debt Service fund deficit was absorbed by the Sewer Enterprise Fund.

In addition, net assets for the Enterprise Fund at March 31, 2004 were created by the transfer of all assets (including capital assets) and liabilities from the above mentioned funds and the former General Fixed Assets Account Group and the General Long-Term Debt Account Group.

IX. Subsequent events

On April 7, 2005, the rental property on Carole Lane was sold by the Township. The proceeds from the sale were \$163,207.

Prior to April 1, 2005, a letter of intent to withdraw from the Heartland Deerfield Tyrone Fire Authority (HDTFA) was sent by the Township Board to the Hartland Deerfield Tyrone Fire Authority. The Fire Authority agreement requires a one-year notice to withdraw. The Township is in dispute with the HDTFA's budget that was adopted for the 2005-2006 fiscal year. The Township has sued the HDTFA for relief from what the Township believes to be unnecessary expenditure excesses with the adopted budget. The case is in the discovery stage.

July 1, 2005, the Township through Livingston County issued \$8,640,000 of Sanitary Sewer Improvements Bonds, Series 2005.

Combining Fund Statements and Fund Descriptions

**Tyrone Township
Nonmajor Governmental Funds
Summary Descriptions
March 31, 2005**

Special Revenue Funds

Liquor Law Enforcement - to account for funds received by the Township for liquor law enforcement.

Road Improvement - to account for funds transferred from the Township's General Fund for road improvement projects.

Building and Site - to account for funds transferred from the Township General Fund for various building and site improvements.

Improvement Revolving - to account for funds transferred from the Township's General Fund for various capital improvement projects.

Rental Properties - to account for certain rental property the Township possesses.

Parkwood/Driftwood Maintenance- to account for the collection of special assessments levied on affected properties for road improvements.

Jayne Hill Lighting - to account for the collection of special assessments levied on affected properties for lighting improvements.

Walnut Drive Lighting - to account for the collection of special assessments levied on affected properties for lighting improvements.

Jayne Hill Waste Removal - to account for the collection of special assessments for waste disposal.

Silver Lakes Estate Road - to account for the collection of special assessments levied on affected properties for road paving improvements.

**Tyrone Township
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2005**

	Special Revenue			
	Liquor Law Enforcement	Road Improvement	Building and Site	Township Improvement Revolving Fund
Assets				
Cash and cash equivalents	\$ -	\$ 347,514	\$ 13,779	\$ 159,352
Receivable:				
Accounts receivable	-	1,431	12	1,456
Special assessments	-	-	-	-
Due from other funds	-	75,447	-	100,000
Due from other governments	-	-	-	50,000
Total assets	<u>\$ -0-</u>	<u>\$ 424,392</u>	<u>\$ 13,791</u>	<u>\$ 310,808</u>
Liabilities				
Accounts payable	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Unreserved:				
Designated for road improvements	-	424,392	-	-
Designated for building and site improvements	-	-	13,791	-
Unreserved, Undesignated (deficit)	-	-	-	310,808
Total fund balances	<u>-</u>	<u>424,392</u>	<u>13,791</u>	<u>310,808</u>
Total liabilities and fund balances	<u>\$ -0-</u>	<u>\$ 424,392</u>	<u>\$ 13,791</u>	<u>\$ 310,808</u>

Special Revenue

Rental Properties	Parkwood/ Driftwood Maintenance	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Jayne Hill Waste Removal	Silver Lake Estates Road Paving	Total Nonmajor Governmental Funds
\$ 25,621	\$ 3,228	\$ 1,575	\$ 150	\$ 16,518	\$ 29,987	\$ 597,724
-	-	-	-	-	5	2,904
-	-	-	-	-	42,227	42,227
-	-	-	-	-	-	175,447
-	-	42	-	496	1,705	52,243
<u>\$ 25,621</u>	<u>\$ 3,228</u>	<u>\$ 1,617</u>	<u>\$ 150</u>	<u>\$ 17,014</u>	<u>\$ 73,924</u>	<u>\$ 870,545</u>
-	-	89	9	1,410	-	1,508
-	-	-	-	-	42,227	42,227
-	-	-	-	-	75,447	75,447
-	-	89	9	1,410	117,674	119,182
-	-	-	-	-	-	424,392
-	-	-	-	-	-	13,791
25,621	3,228	1,528	141	15,604	(43,750)	313,180
25,621	3,228	1,528	141	15,604	(43,750)	751,363
<u>\$ 25,621</u>	<u>\$ 3,228</u>	<u>\$ 1,617</u>	<u>\$ 150</u>	<u>\$ 17,014</u>	<u>\$ 73,924</u>	<u>\$ 870,545</u>

Tyrone Township
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2005

	Special Revenue			
	Liquor Law Enforcement	Road Improvement	Building and Site	Township Improvement Revolving Fund
Revenues:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Charges for services	1,542	-	-	-
Interest	-	5,110	102	4,107
Rents and royalties	-	-	-	-
Total revenues	1,542	5,110	102	4,107
Expenditures:				
General government - building and grounds	-	-	-	-
Public works	-	-	-	-
Public safety	1,542	-	-	-
Highways and streets	-	139,837	-	-
Capital outlay	-	-	4,349	-
Total expenditures	1,542	139,837	4,349	-
Excess (deficiency) of revenues over expenditures	-	(134,727)	(4,247)	4,107
Other financing sources:				
Transfers in	-	-	-	-
Transfers out	-	(5,625)	-	-
Total other financing sources (uses)	-	(5,625)	-	-
Net change in fund balances	-	(140,352)	(4,247)	4,107
Fund balance (deficit) at beginning of year	-	564,744	18,038	306,701
Fund balance (deficit) at end of year	\$ -0-	\$ 424,392	\$ 13,791	\$ 310,808

Special Revenue

Rental Properties	Parkwood/ Driftwood Maintenance	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Sewer Project	Jayne Hill Waste Removal	Silver Lake Estates Road Paving
\$ -	\$ 500	\$ 1,092	\$ 110	\$ -	\$ 19,834	\$ 27,101
-	-	-	-	-	-	-
-	-	-	-	-	-	3,335
14,400	-	-	-	-	-	-
14,400	500	1,092	110	-	19,834	30,436
3,583	-	-	-	-	-	-
-	-	1,062	108	-	4,230	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,583	-	1,062	108	-	4,230	-
10,817	500	30	2	-	15,604	30,436
-	-	-	-	-	-	5,625
-	-	-	-	(17,202)	-	-
-	-	-	-	(17,202)	-	5,625
10,817	500	30	2	(17,202)	15,604	36,061
14,804	2,728	1,498	139	17,202	-	(79,811)
\$ 25,621	\$ 3,228	\$ 1,528	\$ 141	\$ -	\$ 15,604	\$ (43,750)

(continued)

Tyrone Township
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - (Continued)
For the Year Ended March 31, 2005

	<u>Debt Service</u>		<u>Total</u>
	<u>Runyan Lake</u>	<u>Sanitary Sewer</u>	<u>Nonmajor</u>
	<u>Sanitary Sewer</u>	<u>2003</u>	<u>Governmental</u>
			<u>Funds</u>
Revenues:			
Special assessments	\$ -	\$ -	\$ 48,637
Charges for services	-	-	1,542
Interest	-	-	12,654
Rents and royalties	-	-	14,400
Total revenues	-	-	77,233
Expenditures:			
General government - building and grounds	-	-	3,583
Public works	-	-	5,400
Public safety	-	-	1,542
Highways and streets	-	-	139,837
Capital outlay	-	-	4,349
Total expenditures	-	-	154,711
Excess (deficiency) of revenues over expenditures	-	-	(77,478)
Other financing sources:			
Transfers in	46,878	-	52,503
Transfers out	-	(939,369)	(962,196)
Total other financing sources (uses)	46,878	(939,369)	(909,693)
Net change in fund balances	46,878	(939,369)	(987,171)
Fund balance (deficit) at beginning of year	(46,878)	939,369	1,738,534
Fund balance (deficit) at end of year	\$ -	\$ -	\$ 751,363

Tyrone Township
Schedule of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended March 31, 2005

Liquor Law Enforcement				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Charges for services	950	950	1,542	592
Interest	-	-	-	-
Rents and royalties	-	-	-	-
Total revenues	950	950	1,542	592
Expenditures:				
General government - building and grounds	-	-	-	-
Public works	-	-	-	-
Public safety	950	950	1,542	(592)
Highways and streets	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	950	950	1,542	(592)
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources:				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance (deficit) at beginning of year	-	-	-	-
Fund balance (deficit) at end of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Road Improvement				Building and Site			
Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
Original	Final			Original	Final		
\$ 23,000	\$ 23,000	\$ -	\$ (23,000)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
6,000	6,000	5,110	(890)	50	50	102	52
-	-	-	-	-	-	-	-
29,000	29,000	5,110	(23,890)	50	50	102	52
-	-	-	-	6,000	6,000	-	6,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
145,000	145,000	139,837	5,163	-	-	-	-
-	-	-	-	3,800	3,800	4,349	(549)
145,000	145,000	139,837	5,163	9,800	9,800	4,349	5,451
(116,000)	(116,000)	(134,727)	(18,727)	(9,750)	(9,750)	(4,247)	5,503
100,000	100,000	-	(100,000)	10,000	10,000	-	(10,000)
-	-	(5,625)	(5,625)	-	-	-	-
100,000	100,000	(5,625)	(105,625)	10,000	10,000	-	(10,000)
(16,000)	(16,000)	(140,352)	(124,352)	250	250	(4,247)	(4,497)
564,744	564,744	564,744	-	18,038	18,038	18,038	-
\$ 548,744	\$ 548,744	\$ 424,392	\$ (124,352)	\$ 18,288	\$ 18,288	\$ 13,791	\$ (4,497)

(continued)

Tyrone Township
Schedule of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - (Continued)
For the Year Ended March 31, 2005

				Township Improvement Revolving Fund			
				Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
				Original	Final		
Revenues:							
	Special assessments			\$ -	\$ -	\$ -	\$ -
	Charges for services			-	-	-	-
	Interest			400	400	4,107	3,707
	Rents and royalties			-	-	-	-
	Total revenues			400	400	4,107	3,707
Expenditures:							
	General government - building and grounds			-	-	-	-
	Public works			-	-	-	-
	Public safety			-	-	-	-
	Highways and streets			-	-	-	-
	Capital outlay			-	-	-	-
	Total expenditures			-	-	-	-
	Excess (deficiency) of revenues over expenditures			400	400	4,107	3,707
Other financing sources:							
	Transfers in			50,000	50,000	-	(50,000)
	Transfers (out)			-	-	-	-
	Total other financing sources (uses)			50,000	50,000	-	(50,000)
	Net change in fund balances			50,400	50,400	4,107	(46,293)
	Fund balance (deficit) at beginning of year			306,701	306,701	306,701	-
	Fund balance (deficit) at end of year			\$ 357,101	\$ 357,101	\$ 310,808	\$ (46,293)

Rental Properties			
Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
5,000	5,000	14,400	9,400
5,000	5,000	14,400	9,400
2,000	2,000	3,583	(1,583)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,000	2,000	3,583	(1,583)
3,000	3,000	10,817	7,817
-	-	-	-
(5,000)	(5,000)	-	5,000
(5,000)	(5,000)	-	5,000
(2,000)	(2,000)	10,817	12,817
14,804	14,804	14,804	-
\$ 12,804	\$ 12,804	\$ 25,621	\$ 12,817

Parkwood/Driftwood Maintenance			
Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
Original	Final		
\$ 500	\$ 500	\$ 500	\$ -
-	-	-	-
1	1	-	(1)
-	-	-	-
501	501	500	(1)
-	-	-	-
-	-	-	-
-	-	-	-
350	350	-	350
-	-	-	-
350	350	-	350
151	151	500	349
-	-	-	-
-	-	-	-
-	-	-	-
151	151	500	349
2,728	2,728	2,728	-
\$ 2,879	\$ 2,879	\$ 3,228	\$ 349

(continued)

Tyrone Township
Schedule of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - (Continued)
For the Year Ended March 31, 2005

Jayne Hill
Lighting Assessment

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 1,092	\$ 1,092	\$ 1,092	\$ -
Charges for services	-	-	-	-
Interest	-	-	-	-
Rents and royalties	-	-	-	-
Total revenues	1,092	1,092	1,092	-
Expenditures:				
General government - building and grounds	-	-	-	-
Public works	1,000	1,000	1,062	(62)
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	1,000	1,000	1,062	(62)
Excess (deficiency) of revenues over expenditures	92	92	30	(62)
Other financing sources:				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	92	92	30	(62)
Fund balance (deficit) at beginning of year	1,498	1,498	1,498	-
Fund balance (deficit) at end of year	\$ 1,590	\$ 1,590	\$ 1,528	\$ (62)

**Walnut Drive
Lighting Assessment**

Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
Original	Final			
\$ 110	\$ 110	\$ 110	\$	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
110	110	110	-	-
-	-	-	-	-
105	105	108	(3)	(3)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
105	105	108	(3)	(3)
5	5	2	(3)	(3)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5	5	2	(3)	(3)
139	139	139	-	-
\$ 144	\$ 144	\$ 141	\$	(3)

(continued)

Tyrone Township
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - (Continued)
For the Year Ended March 31, 2005

		Silver Lake Estates Paving			Variance with Final Budget- Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final	Amounts	
Revenues:					
Special assessments		\$ -	\$ -	\$ 27,101	\$ 27,101
Charges for services		-	-	-	-
Interest		-	-	3,335	3,335
Rents and royalties		-	-	-	-
Total revenues		-	-	30,436	30,436
Expenditures:					
General government - building and grounds		-	-	-	-
Public works		-	-	-	-
Public safety		-	-	-	-
Highways and streets		-	-	-	-
Capital outlay		-	-	-	-
Total expenditures		-	-	-	-
Excess (deficiency) of revenues over expenditures		-	-	30,436	30,436
Other financing sources:					
Transfers in		-	-	5,625	5,625
Transfers (out)		-	-	-	-
Total other financing sources (uses)		-	-	5,625	5,625
Net change in fund balances		-	-	36,061	36,061
Fund balance (deficit) at beginning of year		(79,811)	(79,811)	(79,811)	-
Fund balance (deficit) at end of year		\$ (79,811)	\$ (79,811)	\$ (43,750)	\$ 36,061

**Jayne Hill
Waste Removal**

Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
Original	Final		
\$ -	\$ -	\$ 19,834	\$ 19,834
-	-	-	-
-	-	-	-
-	-	-	-
-	-	19,834	19,834
-	-	-	-
-	-	4,230	(4,230)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	4,230	(4,230)
-	-	15,604	15,604
-	-	-	-
-	-	-	-
-	-	-	-
-	-	15,604	15,604
-	-	-	-
\$ -	\$ -	\$ 15,604	\$ 15,604

Totals

Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
Original	Final		
\$ 24,702	\$ 24,702	\$ 48,637	\$ 23,935
950	950	1,542	592
6,451	6,451	12,654	6,203
5,000	5,000	14,400	9,400
37,103	37,103	77,233	40,130
8,000	8,000	3,583	4,417
1,105	1,105	5,400	(4,295)
950	950	1,542	(592)
145,350	145,350	139,837	5,513
3,800	3,800	4,349	(549)
159,205	159,205	154,711	4,494
(122,102)	(122,102)	(77,478)	44,624
-	-	-	-
-	-	-	-
-	-	-	-
(122,102)	(122,102)	(77,478)	44,624
-	-	-	-
\$ (122,102)	\$ (122,102)	\$ (77,478)	\$ 44,624

June 30, 2005

Members of the Township Board
of Tyrone Township
Livingston County, Michigan

We have audited the financial statements of Tyrone Township (the Township) for the year ended March 31, 2005, and have issued our report thereon dated June 30, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 12, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Tyrone Township are described in Note 1 to the general purpose financial statements. During the year ended March 31, 2005, the Township closed the Runyan Lake Sanitary Sewer debt service fund, 2003 Sanitary Sewer debt service fund, the sewer project special revenue fund, and the Runyan Lake Sanitary Agency fund to establish the Sewer Enterprise fund. Tyrone Township did implement GASB 34 for the first time for the year ended March 31, 2005.

During the year, a new fund was established to account for special assessment collected for waste removal for Jayne Hill subdivision.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Tyrone Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted one matter involving internal controls we consider to be material weakness as follows:

Material Weakness and Recommendation:

Bank reconciliations were not completed on a timely manner during the year because information was not made available to the accountant due to a breakdown in communication. In addition, for the bank reconciliations of the tax account that were prepared, the bank statements were being reconciled to the treasurer's report rather than the general ledger trial balance. We recommend that the accountant be provided timely with the necessary records to prepare the reconciliations between the bank statements and the general ledger.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Tyrone Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We posted adjustments to receivables, revenue, fixed assets, and multiple entries to close funds and create the sewer fund.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Tyrone Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered difficulties in reconciling two bank accounts, adjusting special assessments receivable in the sewer fund, and balancing the due to and from accounts. We recommend that a budget be adopted for this fund in the future.

We encountered no significant difficulties in dealing with management in performing our audit.

The following items are other information that the Township Board should consider:

1. Silver Lake Estates Road Paving Special Revenue Fund

The Fund incurred a fund balance deficit in the amount of \$43,750. Future assessments appear that they will cover the entire deficit. We encourage management to monitor the fund in case assessments fall short, which would require that a fund transfer be appropriated to cover the deficit.

2. Budgets for Special Revenue Funds

During fiscal 2005, a new fund was created to be used for Jayne Hill waste removal. This fund is a special revenue fund. Per the Budget Act 621, all special revenue funds should be budgeted for. We recommend that a budget be adopted for this fund.

3. Third Party Sewer Utility Billing Arrangement

The Township has an agreement with a third party commercial business to bill and collect, from residents, sewer utility charges for services. During 2005, the Township received activity reports from the third party and reconciled the data to the bank statements. We encourage continued efforts be made to reconcile bank account information with the third party activity reports.

4. GASB 45

A new pronouncement, GASB 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" (OPEB) has been issued that will affect how governments will record a liability regarding OPEB benefits.

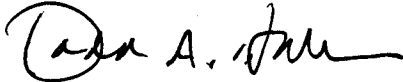
Among the requirements is that the government calculate the OPEB liability used on certain parameters and that an actuarial valuation be obtained periodically to base the liability. Currently, the Township

Members of the Township Board
of Tyrone Township
June 30, 2005
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does not provide any post-employment benefits. If the Township was to begin offering these benefits, the Township might be required to implement the standard. We essentially wanted to make you aware of this new standard.

We want to thank the Township staff for their cooperation and courtesy afforded to us during the audit. We also want to thank the Township Board for the opportunity to serve as the Township's independent auditors. This information is intended solely for the use of the Board and management of Tyrone Township and should not be used for any other purpose.

Sincerely,

A handwritten signature in black ink, appearing to read "Tadd A. Harburn". The signature is fluid and cursive, with a large initial "T" and a long, sweeping underline.

Tadd A. Harburn, CPA
Principal

Flint Office